

Prepared for

**The Association of Residential Letting Agents
& the ARLA Panel of Mortgage Lenders:**

**Birmingham Midshires
GMAC Residential Funding
NatWest Mortgage Services
Paragon Mortgages
The Mortgage Business**

**ARLA Members Survey
of the
Buy to Let Sector**

First Quarter 2006

Prepared by:

O M Carey Jones
5 Henshaw Lane
Yeadon
Leeds
LS19 7RW

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CONTENTS

	Page
1. INTRODUCTION & BACKGROUND	3
2. METHODOLOGY	4
3. SUMMARY	5
4. RESULTS	6

1. **INTRODUCTION & BACKGROUND**

The mortgage lenders who make up the ARLA panel of lenders are keen to ensure that the service they provide to ARLA members is relevant to their needs and takes account of the specific and unique requirements of residential letting agents and their investor landlords.

In order to help achieve this, ARLA has commissioned research to ensure that ARLA panel lenders are kept up to date with agents' requirements and concerns as they change with economic conditions, hopes and fears.

The research is conducted by Owen Carey Jones who specialises in the UK mortgage market and currently conducts several regular quarterly surveys of residential landlords and financial advisers on behalf of a number of clients.

2. METHODOLOGY

Having considered the objectives of this project, it was decided that the most appropriate method to use was postal questionnaires.

Questionnaires were sent to 1,558 letting offices of ARLA members in February 2006 and 443 validly completed questionnaires were returned by the due date. These responses were input to our research analysis software and tables of data produced on which this report is based.

3. SUMMARY

- The average capital asset value of rented houses has risen by 1.4% overall over the last three months as a result, mainly of a big rise of 14.7% in the average for the Rest of the UK. The average value for Prime Central London fell by 4.2% whilst that for Rest of the South East rose marginally by 1.6%. Over the same period the average value of rented flats throughout the country rose by 3.8%, again mainly as a result of a big increase in the Rest of the UK.
- The average weighted rental returns for both houses and flats have risen a little from 4.9% to 5.0% and from 5.1% to 5.2% respectively compared with three months ago.
- On balance ARLA members report increased achievable rent levels over the last six months throughout the country and particularly in Prime Central London and the Rest of the UK.
- The average void period is unchanged at 27 days compared with the last quarter of 2005 and this stable position applies across the whole country.
- The average number of purely investment properties which are managed by ARLA members' offices is up compared with three months ago from 105 to 109 properties.
- The balance between the supply of and demand for rented residential properties has improved considerably, particularly for offices managing properties in Prime Central London of which nearly half (48%) now say there are more tenants than properties available for them, a figure which is up from 32% three months ago.
- The average number of new tenancies signed up in the first quarter of 2006 was 31, down a little from 34 in the fourth quarter of 2005 as a result of seasonal factors.
- ARLA members' offices find they are now showing an average of 5.7 prospective tenants round a property before it is let, a figure which is up slightly from 5.6 three months ago.
- The average proportion of ARLA members' offices' portfolios which are made up of investment property, at 52%, is unchanged compared with the last quarter of 2005.
- Getting on for two out of ten ARLA members (17%) now say that landlords are buying more properties, a figure which compares with 11% who say they are selling properties. However, most (70%) believe that residential landlords continue to mark time with regard to their net investment in residential property.

4. RESULTS

The following sections detail the results of the survey for the first quarter of 2006. The regional breakdown of results splits the South East into two component parts - London & South East based respondents who manage properties in Prime Central London and the Rest of the South East.

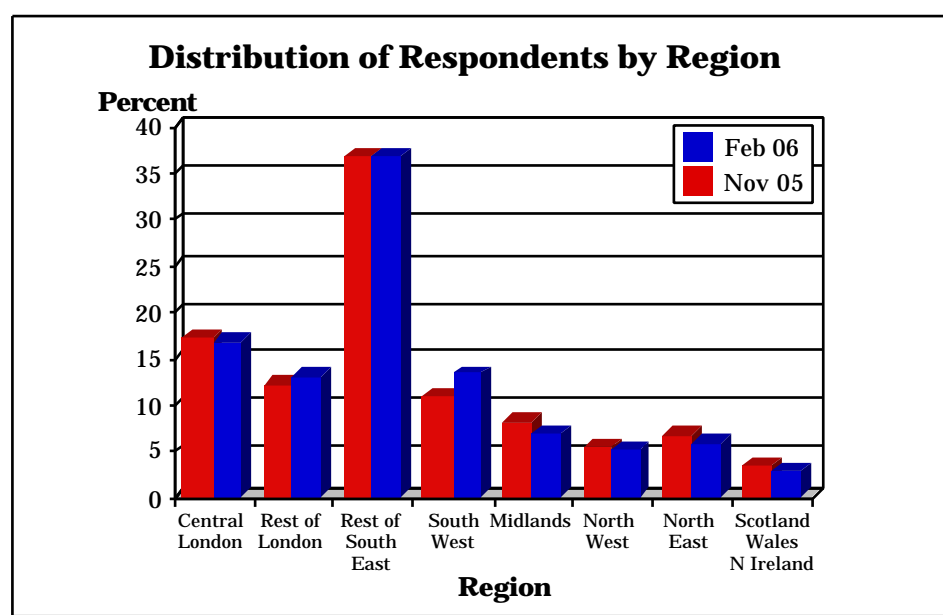
4.1 Geographic Location (Q.1)

The South East, including London, was the region with the highest proportion of ARLA member offices responding, accounting for almost two thirds (66%) of all respondents.

After the South East, the South West with 13% was the region with the most respondents.

Region	Percent of Respondents (%)		
	Aug 05	Nov 05	Feb 06
Central London	16.1	17.1	16.7
Rest of London (<i>inside M25</i>)	13.5	12.1	12.9
South East (<i>excl. London</i>)	35.8	36.7	36.6
South West	11.0	10.8	13.3
Midlands	10.1	8.2	6.8
North West	5.0	5.4	5.2
North East	5.5	6.7	5.9
Scotland/Wales/NI	3.0	3.3	2.7
Base: All respondents	(436)	(463)	(443)

Compared with the November 2005 survey, there has been little change in the regional breakdown of respondents although there were more respondents from the South West this time and slightly fewer from the Midlands.



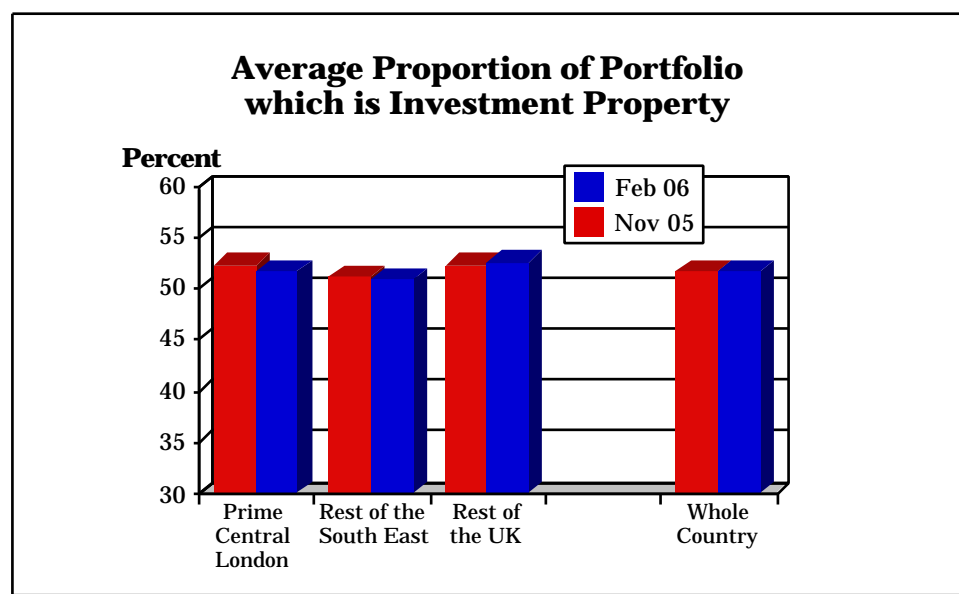
4.2 Proportion of Portfolio Made Up of Investment Property (Q.4)

Most respondents (81%) said that more than a quarter of their portfolio is investment property with getting on for six out of ten (56%) saying that more than half is investment property. Investment properties comprise a tenth or less of their portfolio for only one in twenty offices (5%).

Analysis of the responses to this question reveals that, on average, investment properties account for 52% of ARLA member offices' portfolios.

Proportion of Portfolio	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
None	0.9	-	-	0.2
Up to 10%	2.7	4.9	7.3	5.2
11% to 25%	12.7	10.4	14.7	12.4
26% to 50%	25.5	29.5	19.3	25.1
51% to 75%	38.2	38.3	36.0	37.5
Over 75%	18.2	15.8	22.7	18.7
Not stated	1.8	1.1	-	0.9
Base: All respondents	(110)	(183)	(150)	(443)

For offices in the Rest of the South East, investment properties appear to make up a very slightly smaller proportion of their portfolios with the average being 51% compared with 52% for those managing properties in Prime Central London and 53% for the Rest of the UK.



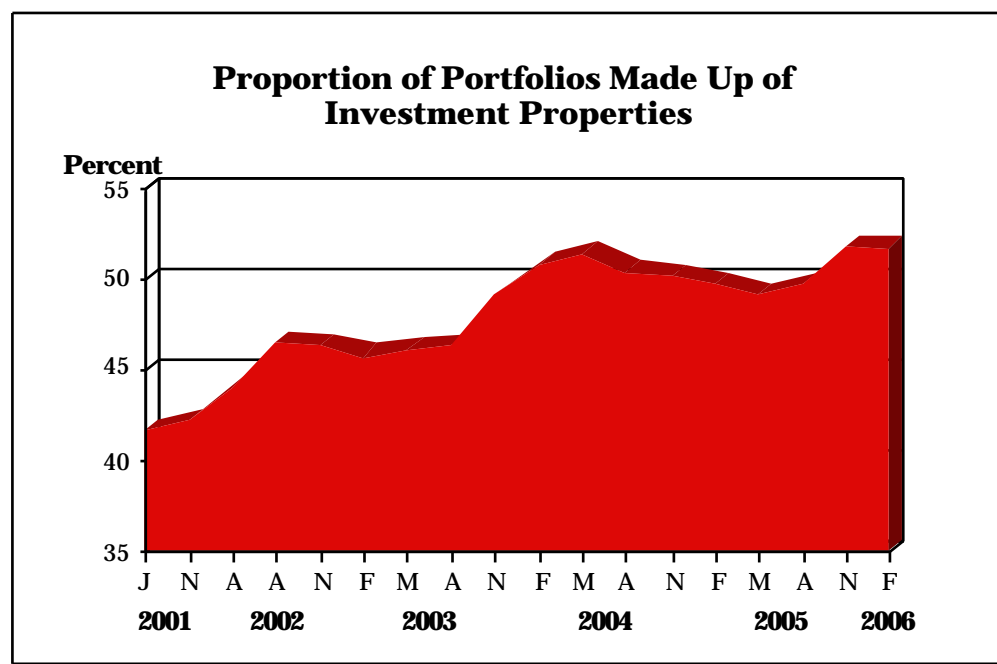
Compared with the last survey in November, the average proportion of portfolios which are in the form of investment property is virtually unchanged at 52% with the figures for each of the geographic areas also being almost the same.

Geographic Region	Average Proportion of Portfolio (%)			
	May 05	Aug 05	Nov 05	Feb 06
Prime Central London	50.4	53.5	52.2	51.7
South East	47.3	47.6	51.1	50.9
Rest of UK	50.3	49.9	52.2	52.5
All Regions	49.0	49.7	51.7	51.6
Base: All respondents	(489)	(436)	(463)	(443)

As can be seen from the chart below, the proportion of respondents' portfolios which is made up of investment property, having levelled off for a period of a year from mid-2002 to mid-2003, rose sharply between mid-2003 and mid-2004.

At the end of 2004 the figure levelled off again before slowly reducing during the first half of 2005.

However, both surveys for the second half of 2005 showed the figure was on the increase again although the results from this survey suggest that the pattern of increases followed by a period of consolidation is continuing.



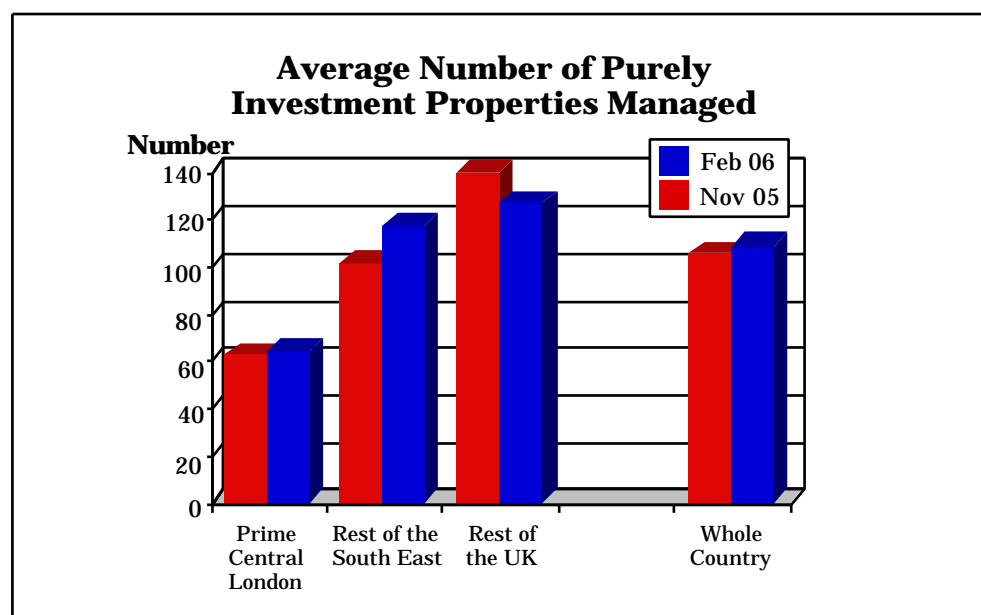
4.3 Number of Purely Investment Properties Managed (Q.5)

By and large, ARLA offices manage substantial numbers of purely investment properties with more than a third (34%) saying that they manage over a hundred properties and more than three-quarters (77%) managing in excess of 20 properties.

Analysis of these responses shows that the average number of purely investment properties managed by ARLA offices is currently 109.

Number of Properties	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Up to 5	6.4	2.2	4.0	3.8
6 to 10	10.0	2.2	2.0	4.1
11 to 20	13.6	13.7	8.7	12.0
21 to 50	18.2	22.4	24.7	22.1
51 to 100	21.8	18.6	25.3	21.7
Over 100	25.5	38.8	33.3	33.6
Not stated	4.5	2.2	2.0	2.7
Base: All respondents	(110)	(183)	(150)	(443)

Offices in Prime Central London tend to manage considerably fewer properties on average than their counterparts elsewhere in the country with the average numbers being 64 for Prime Central London, 117 for the Rest of the South East and 126 for the Rest of the UK.



Compared with three months ago, the average number of properties managed is up again, this time from 105 to 109.

Within this there has been considerably greater movement in the figures for two out of the three broad regional areas with the figure for the Rest of

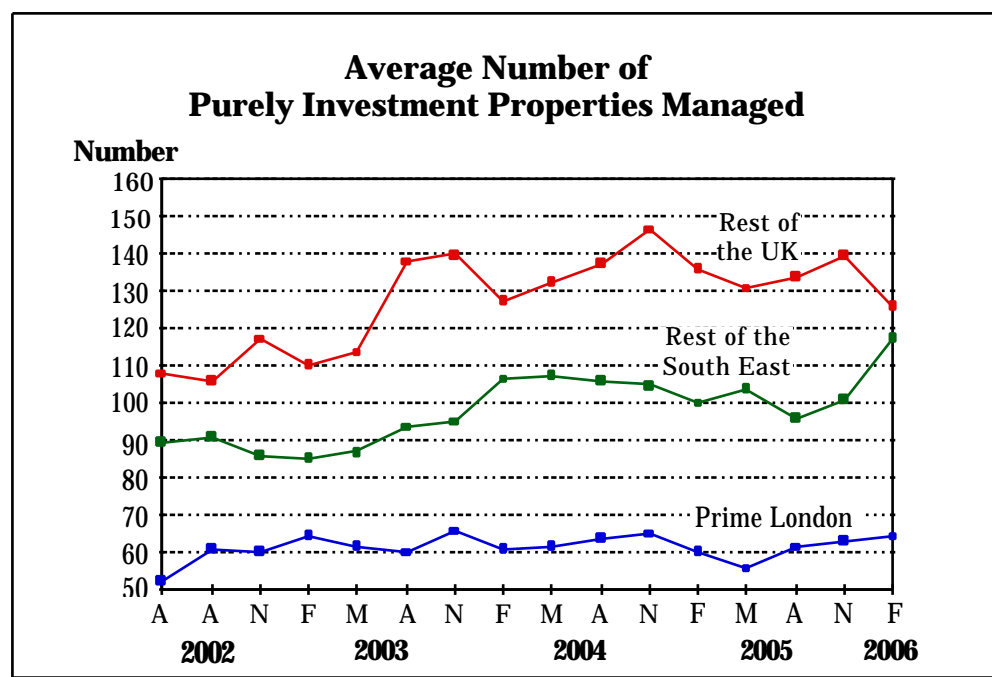
the South East increasing quite sharply, the figure for the Rest of the UK decreasing equally sharply and the figure for Prime Central London being little changed. However, it should be remembered that these regional figures are subject to some fluctuation quarter by quarter.

Geographic Region	Average Number of Properties			
	May 05	Aug 05	Nov 05	Feb 06
Prime Central London	55.4	61.2	62.7	63.9
South East	103.7	96.0	100.9	117.2
Rest of UK	130.5	133.7	139.2	125.9
All Regions	101.2	100.9	104.9	108.6
Base: All respondents	(489)	(436)	(463)	(443)

Having said that, as can be seen from the chart below, the average number of properties managed by ARLA members in the Rest of the UK, having increased over the medium term from 106 properties in April 2002 to 146 properties by the end of 2004, has on the whole been declining since then.

The average for the Rest of the South East showed a sharp upward trend in 2003 before levelling off in 2004 and there has been a gentle downward trend since then although the latest figure suggests that this trend may now have come to an end with a sharp increase this quarter.

For Prime Central London the figure has been relatively steady at an average of between 60 and 65 properties for some time despite occasionally moving a little outside this band.



4.4 Average Value of Rented Residential Properties (Q.6)

Houses

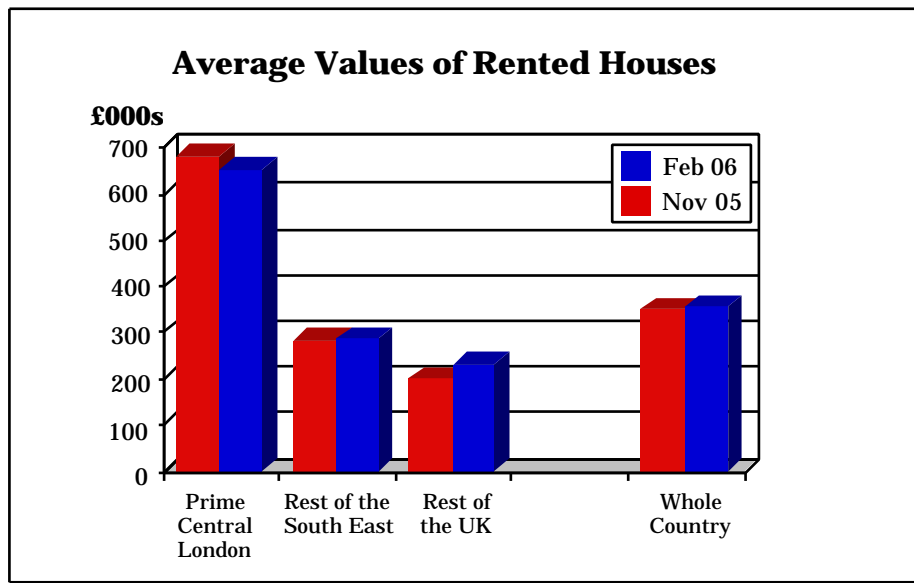
Two thirds of respondents (67%) said that the average value of a rented house in their area was between £100,000 and £350,000.

Only one in a hundred offices (1%) said the average was below £100,000 whilst for more than one in ten respondents (11%), the average in their area was in excess of £750,000.

Analysis of these figures gives an overall weighted average value for a rented house of £350,500.

Average Value of Houses	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Up to £75,000	-	-	-	-
£75,001 to £100,000	-	-	3.3	1.1
£100,001 to £150,000	0.9	9.3	28.0	13.5
£150,001 to £200,000	0.9	34.4	32.7	25.5
£200,001 to £350,000	13.6	36.1	27.3	27.5
£350,001 to £500,000	23.6	10.4	1.3	10.6
£500,001 to £750,000	20.9	6.0	3.3	8.8
Over £750,000	34.5	2.7	2.7	10.6
Not stated	5.5	1.1	1.3	2.3
Base: All respondents	(110)	(183)	(150)	(443)

There are big differences between the values of rented houses in the different regional areas with the average for Prime Central London being nearly two thirds of a million pounds (£652,400) compared with less than half that figure (£283,100) in the Rest of the South East and just £226,400 in the Rest of the UK.

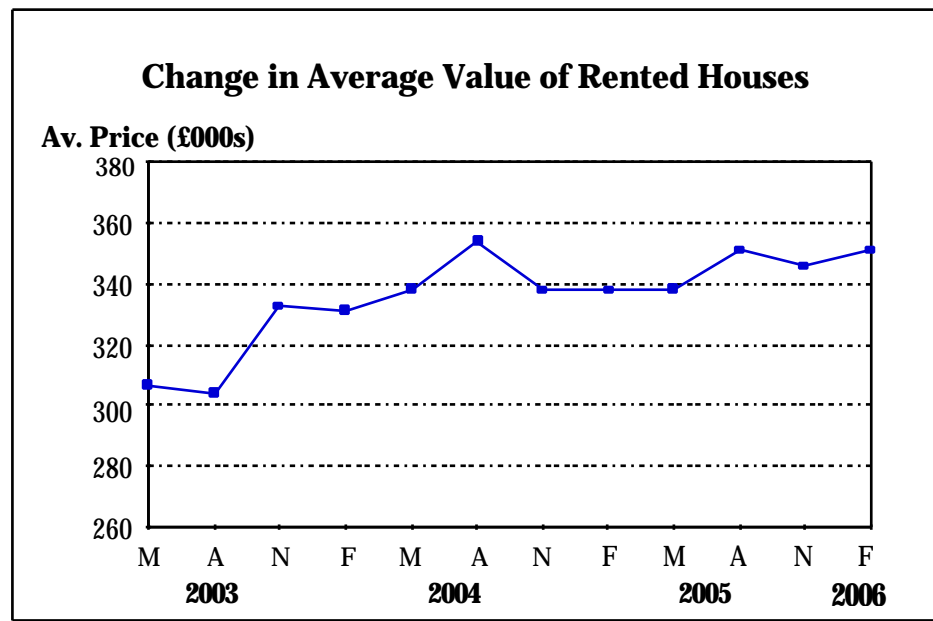


Compared with the last survey, the overall weighted average value of rented houses has risen by 1.4% from £345,600 to £350,500 but this change merely reverses the change seen three months ago.

Geographic Region	Average Value of Rented Houses (000s)			
	May 05	Aug 05	Nov 05	Feb 06
Prime Central London	649.5	673.4	681.0	652.4
South East	276.9	291.1	278.6	283.1
Rest of UK	199.2	202.3	197.4	226.4
All Regions (weighted)	338.1	350.9	345.6	350.5
Base: All respondents	(489)	(436)	(463)	(443)

The average price of a rented house in Prime Central London has fallen by 4.2% whilst that for the Rest of the South East is up by 1.6%. However, the average for the Rest of the UK is up sharply by 14.7%.

As can be seen from the chart below, between May 2003 and August 2004 the average value of a rented house increased by 16% from £306,100 to £353,800 but has been fairly steady since then.



Flats

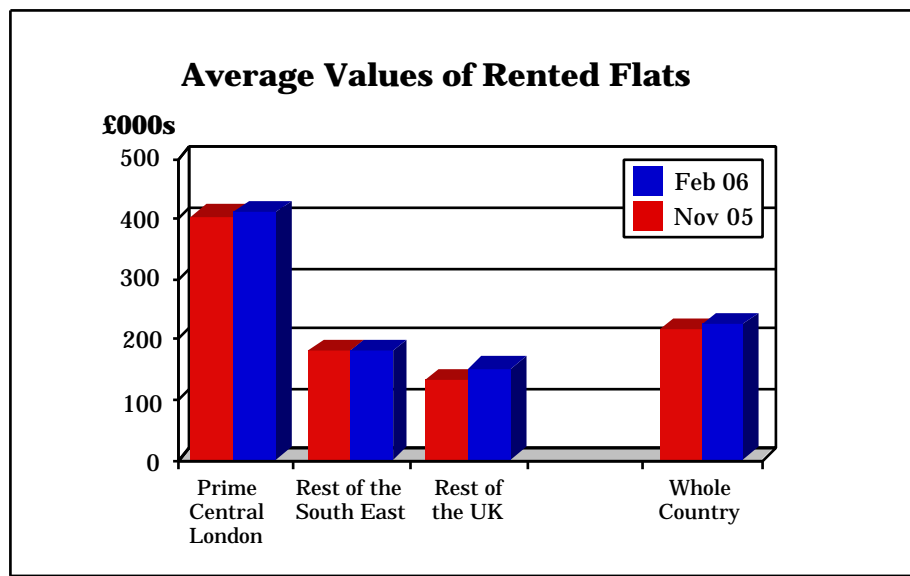
Almost two thirds of respondents (66%) said that the average value of a rented flat in their area was between £100,000 and £350,000, almost the same figure as was the case with houses.

However, a much higher proportion of ARLA offices amounting to 12% said the average value of a rented flat in their area was below £100,000 whilst only 1.4% said the average value was in excess of £750,000.

Analysis of these figures gives an overall weighted average value for a rented flat of £225,100.

Average Value of Flats	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Up to £75,000	-	0.5	2.0	0.9
£75,001 to £100,000	0.9	10.4	19.3	11.1
£100,001 to £150,000	1.8	30.6	37.3	25.7
£150,001 to £200,000	10.0	33.3	24.0	24.4
£200,001 to £350,000	29.1	15.3	6.0	15.6
£350,001 to £500,000	26.4	3.8	2.0	8.8
£500,001 to £750,000	17.3	1.1	1.3	5.2
Over £750,000	5.5	-	-	1.4
Not stated	9.1	4.9	8.0	7.0
Base: All respondents	(110)	(183)	(150)	(443)

As with rented houses, there are big differences between the values of rented flats in the different regional areas with the average for Prime Central London being £412,600 compared with £180,000 in the Rest of South East and £152,100 in the Rest of the UK.

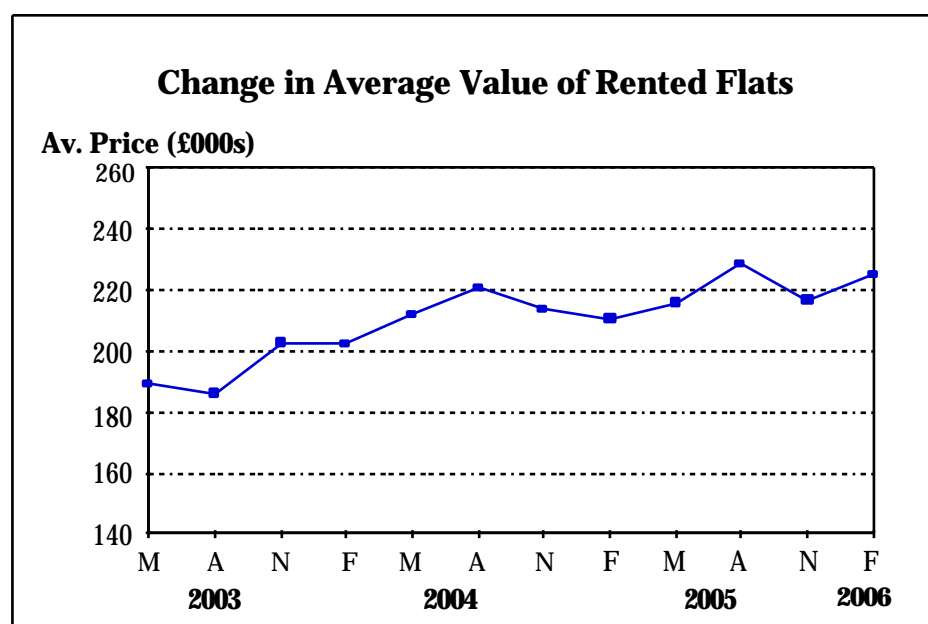


Compared with three months ago, the overall weighted average value of a rented flat has risen by 3.8% from £216,800 to £225,100 but this again largely just reverses the change seen three months earlier.

Geographic Region	Average Value of Rented Flats (000s)			
	May 05	Aug 05	Nov 05	Feb 06
Prime Central London	384.6	434.2	405.8	412.6
South East	182.8	180.4	178.8	180.0
Rest of UK	140.7	146.6	133.4	152.1
All Regions (weighted)	216.0	228.5	216.8	225.1
Base: All respondents	(489)	(436)	(463)	(443)

Within that overall change, the average value of rented flats in Prime Central London has risen by 1.7% whilst the average for the Rest of the South East has risen marginally by 0.7%. In contrast, the average for the Rest of the UK has risen by a huge 14.0% although this surge follows a big drop three months ago.

As can be seen from the chart below, over the last three years, the average value of a rented flat has increased by 19% from £189,100 to £225,100 despite the occasional temporary downturn.



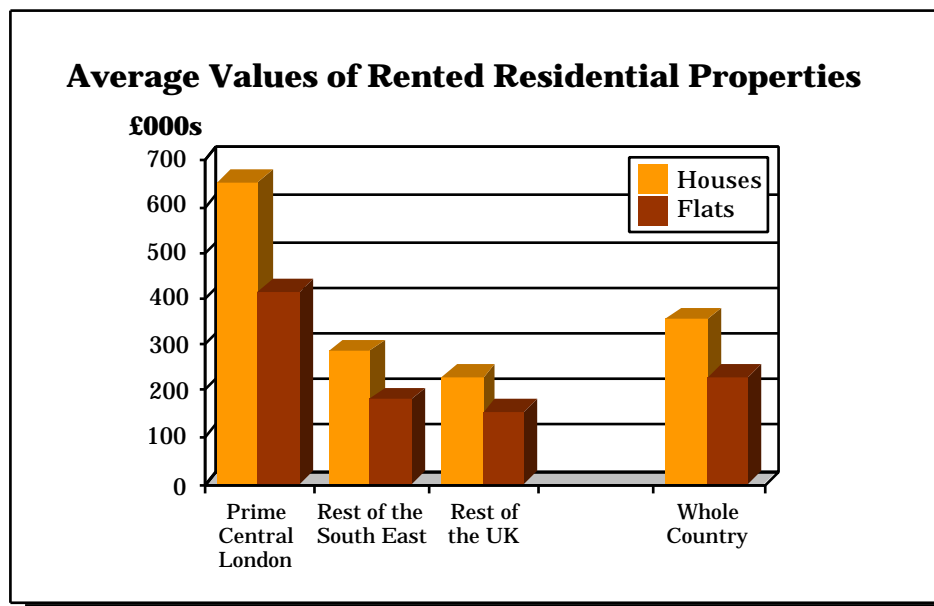
Summary

As was to be expected, average values of rented houses are much higher than those of rented flats with the figure for houses in Prime Central London being 58% higher than that for flats.

There is also a big difference between the values of houses and flats in the rest of the country although the difference is a little less marked for the Rest of the UK than for the other two geographic areas.

Geographic Region	Average Value of Properties (000s)	
	Houses	Flats
Prime Central London	652.4	412.6
South East	283.1	180.0
Rest of UK	226.4	152.1
All Regions (weighted)	350.5	225.1

Base: All respondents (443)



4.5 Average Rental Return on Rented Residential Property (Q.7)

Houses

According to ARLA members' offices, a rental return of between 4% and 5% is the norm for rented houses with nearly six out of ten respondents (58%) saying that this applies to their area.

Analysis of these results reveals a weighted average rental return on rented houses of 5.0%.

Average Return	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Less than 4%	16.4	11.5	10.7	12.4
4% to 5%	53.6	56.8	63.3	58.2
6%	10.0	13.7	8.7	11.1
7%	5.5	5.5	8.0	6.3
8%	1.8	1.6	2.7	2.0
9% to 10%	6.4	2.7	0.7	2.9
11% to 12%	-	-	0.7	0.2
12% to 15%	-	-	0.7	0.2
Over 15%	-	1.6	1.3	1.1
Not stated	6.4	6.6	3.3	5.4
Base: All respondents	(110)	(183)	(150)	(443)

There is not much difference in rates of return between the three broad geographic areas, but the average for Prime Central London, at 4.8%, is below that for both the Rest of the South East and the Rest of the UK.

Geographic Region	Average Rental Return (%)			
	May 05	Aug 05	Nov 05	Feb 06
Prime Central London	4.9	4.7	5.0	4.8
South East	4.9	4.9	4.9	5.0
Rest of UK	5.3	4.9	4.9	5.0
All Regions (weighted)	5.0	4.9	4.9	5.0
Base: All respondents	(489)	(436)	(463)	(443)

Compared with three months ago, the overall average weighted rental return on houses is up a little from 4.9% to 5.0%.

Within that fairly static position, the average rental return on houses in Prime Central London has fallen from 5.0% to 4.8%, whilst the averages for the Rest of the South East and the Rest of the UK have both risen from 4.9% to 5.0%.

Flats

A rental return of between 4% and 5% also appears to be the norm for rented flats with more than half of respondents (54%) saying that this applies to their area.

Analysis of these results reveals a weighted average rental return on rented flats of 5.2%.

Average Return	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Less than 4%	6.4	4.9	10.7	7.2
4% to 5%	56.4	51.9	54.0	53.7
6%	19.1	22.4	16.0	19.4
7%	4.5	3.8	8.7	5.6
8%	0.9	3.3	2.7	2.5
9% to 10%	5.5	2.2	0.7	2.5
11% to 12%	-	-	1.3	0.5
12% to 15%	-	-	-	-
Over 15%	-	1.6	0.7	0.9
Not stated	7.3	9.8	5.3	7.7
Base: All respondents	(110)	(183)	(150)	(443)

There are some differences in the rates of return for rented flats between the different geographical areas, with the average for the Rest of the South East being 5.4% whilst that for Prime Central London is 5.1% and that for the Rest of the UK is 5.0%.

Geographic Region	Average Rental Return (%)			
	May 05	Aug 05	Nov 05	Feb 06
Prime Central London	5.2	5.0	5.2	5.1
South East	5.1	5.1	5.1	5.4
Rest of UK	5.5	5.1	4.9	5.0
All Regions (weighted)	5.3	5.1	5.1	5.2
Base: All respondents	(489)	(436)	(463)	(443)

Compared with the last survey in November, the overall weighted average rental return on flats is up a little from 5.1% to 5.2%.

Within this, the average for Prime Central London is down from 5.2% to 5.1% whilst that for the Rest of the UK is up from 4.9% to 5.1% and that for the Rest of the South East is up, quite sharply, from 5.1% to 5.4%

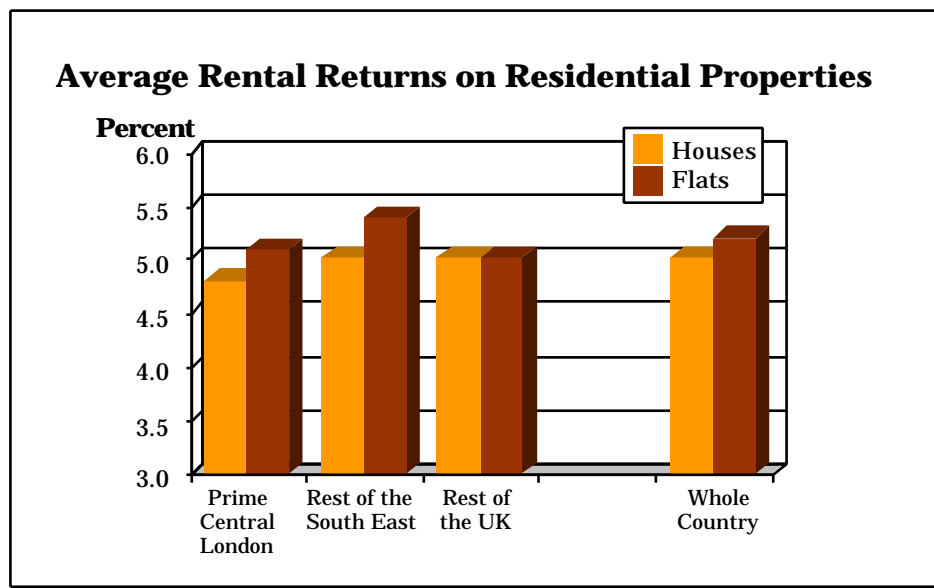
Summary

Average rental returns for houses are now a little lower in Prime Central London than elsewhere in the country whilst, at the other end of the scale, average rental returns for flats are highest in the Rest of the South East.

Geographic Region	Average Rental Return (%)	
	Houses	Flats
Prime Central London	4.8	5.1
South East	5.0	5.4
Rest of UK	5.0	5.0
All Regions (weighted)	5.0	5.2

Base: All respondents (443)

Overall, flats appear to earn a noticeably higher gross return than do houses although this does not seem to apply in the Rest of the UK where reported average returns on both types of property are the same.



Average Rents

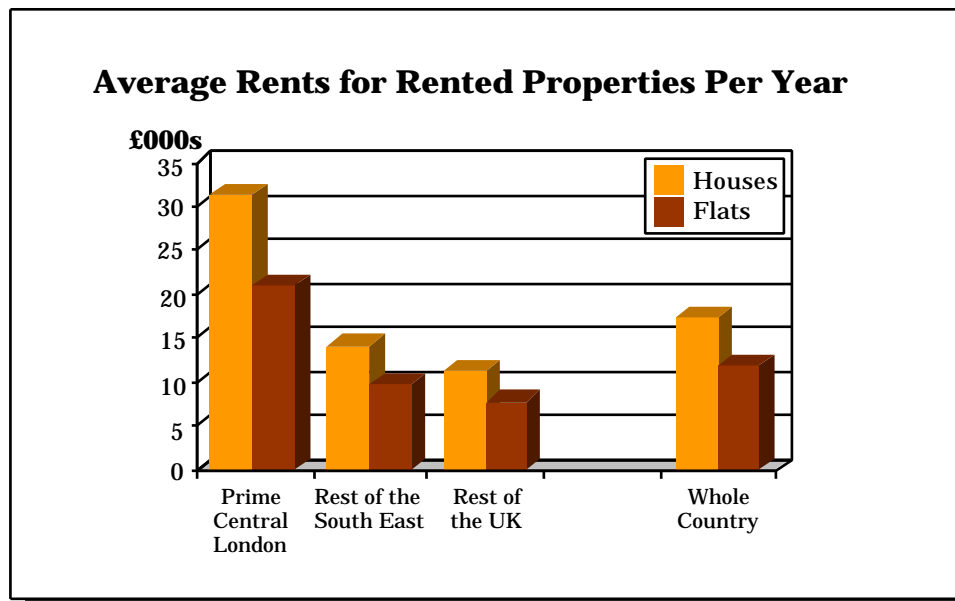
The table below shows the average rents being received by landlords based on the average rental returns and average property prices quoted above.

Geographic Region	Average Rents					
	HOUSES			FLATS		
	Week (£)	Month (£)	Year (£000)	Week (£)	Month (£)	Year (£000)
Prime Central London	602	2,610	31.3	405	1,754	21.0
South East	272	1,180	14.2	187	810	9.7
Rest of UK	218	943	11.3	146	634	7.6
All Regions (weighted)	334	1,447	17.4	225	975	11.7

Base: All respondents (443)

In the case of Prime Central London the average rent of a house is almost half as much again (49%) as the average rent for a flat.

There are also equally marked differences in the Rest of the South East and the Rest of the UK, where average house rents are 46% and 49% higher respectively than average flat rents.



Further analysis of the responses to this question enables average rents to be derived for each of the geographic regions included in the survey and these are shown in the table below.

However, it should be noted that the number of respondents for some of the regions is relatively small with the smallest number (12) being for Scotland, Wales and Northern Ireland.

Geographic Region	Average Rents					
	HOUSES			FLATS		
	Week (£)	Month (£)	Year (£000)	Week (£)	Month (£)	Year (£000)
Prime Central London	602	2,610	31.3	405	1,754	21.0
Rest of London	389	1,684	20.2	274	1,188	14.3
Rest of South East	248	1,075	12.9	166	719	8.6
South West	261	1,132	13.6	172	743	8.9
Midlands	184	797	9.6	120	522	6.3
North West	233	1,011	12.1	171	740	8.9
North East	165	714	8.6	117	509	6.1
Scotland/Wales/NI	152	657	7.9	127	552	6.6

Base: All respondents (443)

4.6 Average Void Period Per Year (Q.8)

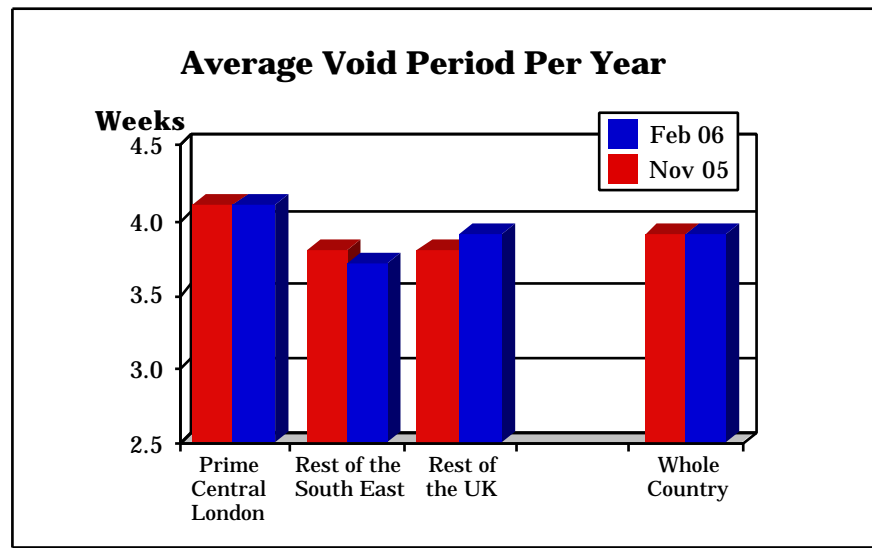
Average void periods for rented residential properties tend to be quite short with more than six out of ten ARLA members' offices (64%) reporting averages of 4 weeks or less per year and, in addition, nearly three out of ten (28%) say the average is between 5 and 6 weeks.

These figures indicate an overall average void rate of 3.9 weeks (27 days) per year.

Average Void Period	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Less than 2 weeks	9.1	9.3	6.7	8.4
2 to 4 weeks	48.2	59.6	56.0	55.5
5 to 6 weeks	31.8	24.0	31.3	28.4
7 to 8 weeks	8.2	4.9	4.0	5.4
More than 8 weeks	0.9	1.1	0.7	0.9
Don't know	0.9	1.1	0.7	0.9
Not stated	0.9	-	0.7	0.5
Base: All respondents	(110)	(183)	(150)	(443)

Respondents with properties in Prime Central London experience a higher void rate than average at 4.1 weeks (29 days) per year.

The average void period for the Rest of the South East is 3.7 weeks (26 days) and that for the Rest of the UK is 3.9 weeks (27 days) per year.



Compared with three months ago, the average void period for the country as a whole is again unchanged at 3.9 weeks (27 days).

Within this overall static position, the average void period for Prime Central London is also unchanged at 4.1 weeks (29 days) but the average for the Rest of the South East has fallen from 3.8 weeks (27 days) to 3.7

weeks (26 days) and that for the Rest of the UK has risen from 3.8 weeks (27 days) to 3.9 weeks (27 days) per year.

Geographic Region	Average Void Period (weeks)			
	May 05	Aug 05	Nov 05	Feb 06
Prime Central London	4.2	4.3	4.1	4.1
South East	3.7	3.7	3.8	3.7
Rest of UK	3.8	3.8	3.8	3.9
All Regions	3.9	3.9	3.9	3.9
Base: All respondents	(489)	(436)	(463)	(443)

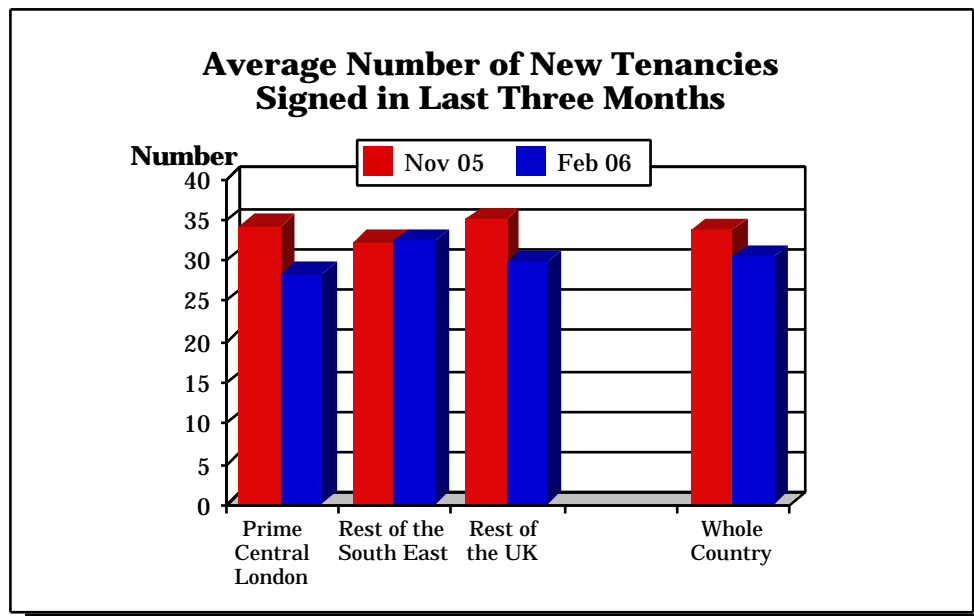
4.7 Number of New Tenancies (Not Renewals) Signed Up in the Last Three Months (Q.9)

Almost eight out of ten ARLA members' offices (79%) have signed up more than 10 new tenancies (other than renewals) in the last three months with more than half (51%) having signed up more than 20 and nearly two out of ten (17%) more than 50.

Analysis of these results reveals that, on average, ARLA members' offices have each signed up 31 new tenancies in the last three months.

Number of Tenancies	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
None	-	-	-	-
Up to 5	4.5	7.1	4.7	5.6
6 to 10	12.7	13.1	16.7	14.2
11 to 20	33.6	25.7	27.3	28.2
21 to 50	36.4	32.2	36.0	34.5
Over 50	11.8	20.8	15.3	16.7
Not stated	0.9	1.1	-	0.7
Base: All respondents	(110)	(183)	(150)	(443)

Offices managing properties in Prime Central London have fared less well than those in the Rest of the South East and, to a lesser extent, those the Rest of the UK with the average figures being 28 for Prime Central London compared with 32 for the Rest of the South East and 29 for the Rest of the UK.

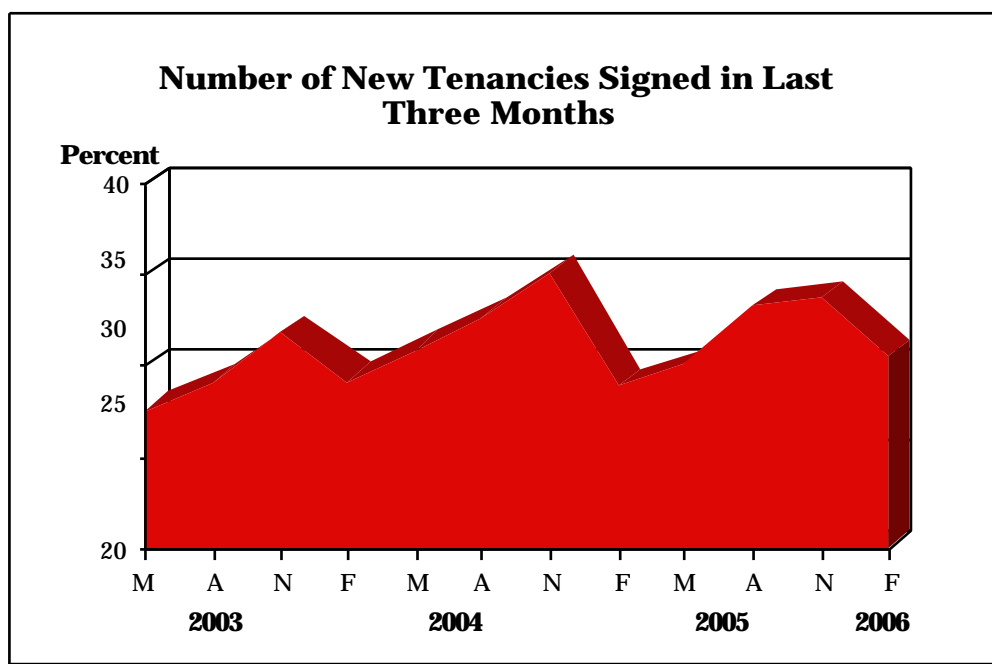


Compared with the last survey, there has been a fall in the average number of new tenancies signed up in the preceding three months from 34 to 31. This drop is entirely accounted for falls for Prime Central London

(from 34 to 28) and the Rest of the UK (from 35 to 30) with the number for the Rest of the South East being unchanged at 32.

Geographic Region	Number of New Tenancies			
	May 05	Aug 05	Nov 05	Feb 06
Prime Central London	26.3	28.0	34.3	28.2
South East	29.8	33.2	32.2	32.4
Rest of UK	32.6	36.7	35.1	29.8
All Regions	30.0	33.2	33.7	30.5
Base: All respondents	(489)	(436)	(463)	(443)

As can be seen from the chart below, the downturn seen this quarter appears to be seasonal with reductions in the average number of new tenancies occurring, against the overall gently rising trend, in the first quarter of each of the last three years.



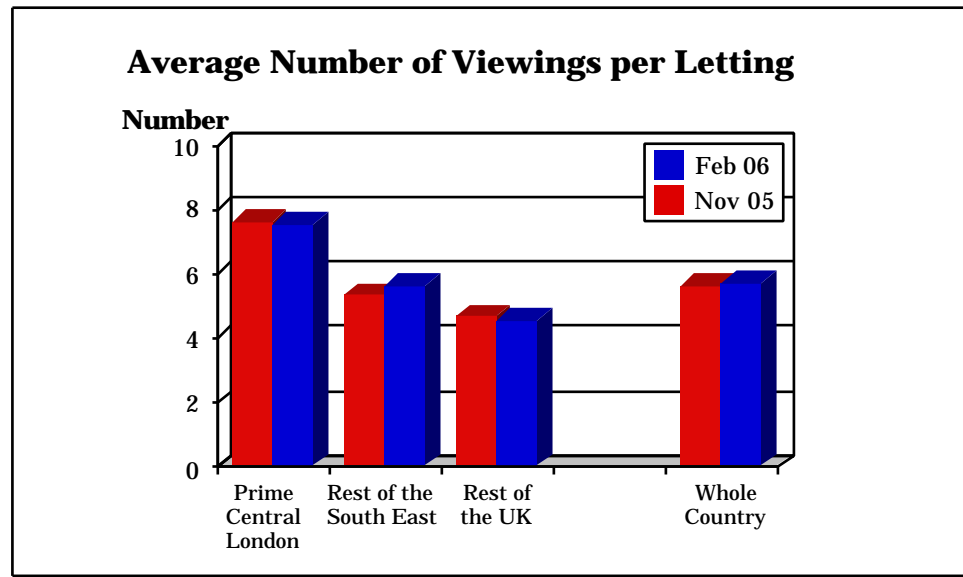
4.8 Number of Viewings Per Letting (Q.10)

More than four out of ten ARLA members' offices (41%) have to deal with an average of 4 or 5 viewings of a property before it is let, and for more than a third of offices (35%), the average number of viewings per letting is 6 or more.

Analysis of these figures produces an overall average of 5.7 viewings per letting.

Number of Viewings per Letting	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
1	-	0.5	-	0.2
2 or 3	10.9	18.6	38.7	23.5
4 or 5	29.1	47.5	42.7	41.3
6 to 10	44.5	28.4	17.3	28.7
11 to 20	15.5	4.9	1.3	6.3
Over 20	-	-	-	-
Not stated	-	-	-	-
Base: All respondents	(110)	(183)	(150)	(443)

On average, ARLA members in Prime Central London have to show many more prospective tenants round a property (7.5) before it is let than do their counterparts in the Rest of the South East (5.6) or the Rest of the UK (4.5).



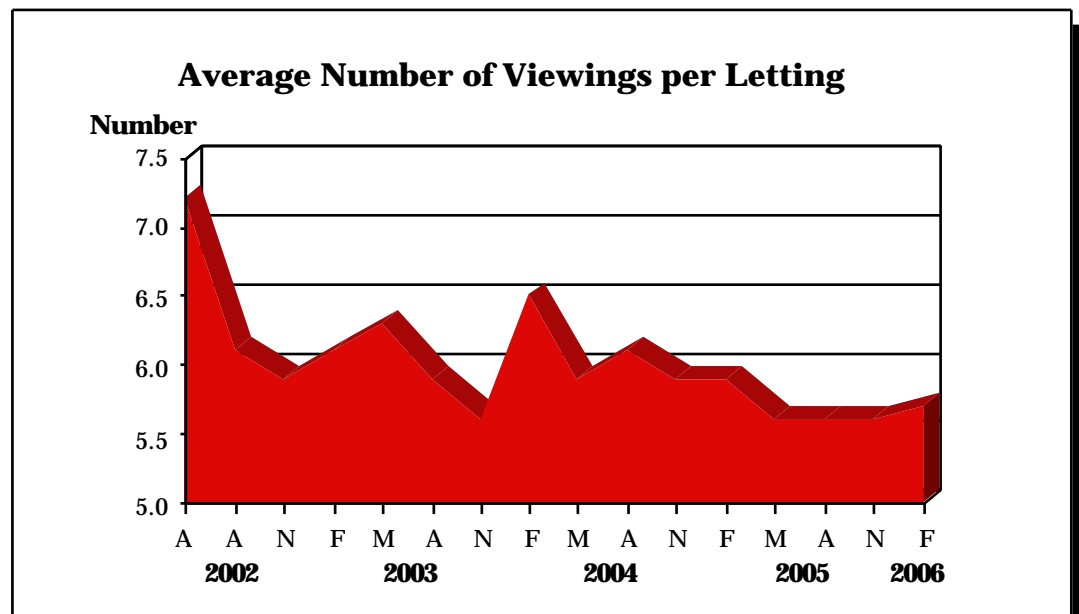
Compared with the last survey in November, the overall average number of viewings per letting is up a little from 5.6 to 5.7.

This fairly static picture is reflected in the figures for the broad geographic regions used in this report although the average number of viewings per letting for those in the Rest of the South East rose from 5.3

to 5.6 whilst the averages for those managing properties in Prime Central London and for those in the Rest of the UK fell only slightly, from 7.6 to 7.5 and from 4.6 to 4.5 respectively.

Geographic Region	Average Number of Viewings per Letting (%)			
	May 05	Aug 05	Nov 05	Feb 06
Prime Central London	7.6	7.8	7.6	7.5
South East	5.4	5.3	5.3	5.6
Rest of UK	4.6	4.6	4.6	4.5
All Regions	5.6	5.6	5.6	5.7
Base: All respondents	(489)	(436)	(463)	(443)

As the chart below shows, the overall average number of viewings per letting has been fairly steady over the last three years at between 5.5 and 6.5 although the figure does appear to have declined during the last two years.



4.9 Balance of Supply & Demand in Rented Residential Property Sector (Q.11)

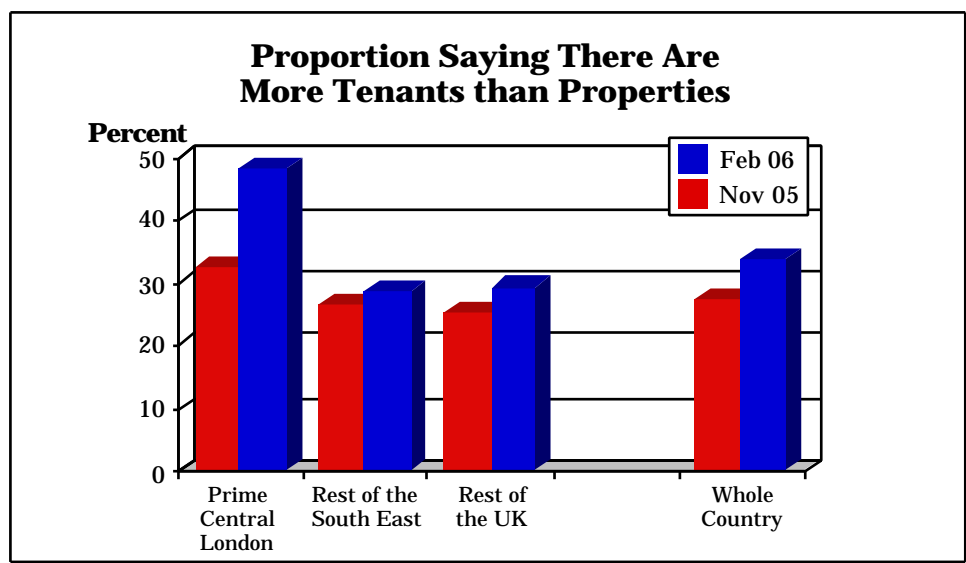
More than a third of ARLA members' offices (34%) say that there are currently more tenants than there are properties available for them.

However, a larger proportion (38%) believe that there are more rented residential properties available than there are tenants to fill them whilst nearly three out of ten (28%) believe that supply of, and demand for, rented residential properties is in balance.

These figures indicate that, overall, the demand for and supply of rented residential properties is fairly well balanced.

Balance of Supply and Demand	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Lot more props than tenants	6.4	10.9	11.3	9.9
Few more props than tenants	20.9	25.1	36.0	27.8
Equal nos of props & tenants	24.5	35.5	22.7	28.4
Lot more tenants than props	17.3	11.5	11.3	12.9
Few more tenants than props	30.9	16.9	18.0	20.8
Not stated	-	-	0.7	0.2
Base: All respondents	(110)	(183)	(150)	(443)

For only the second time since these surveys began three and a half years ago, Prime Central London has highest proportion of respondents saying that there are more tenants than properties (48%) with the figures for the Rest of the South East and the Rest of the UK being 28% and 29% respectively.

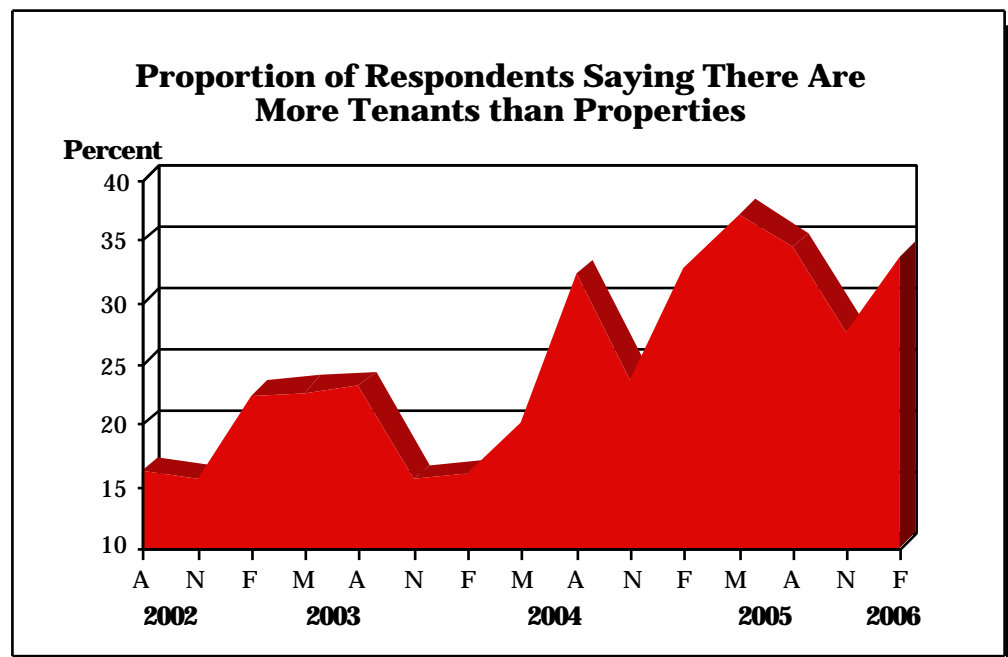


Compared with three months ago, there has been a big improvement for Prime Central London with the proportion of respondents saying there are more tenants than properties rising from 32% to 48%

Overall, 34% of respondents to this survey (up from 27% three months ago) said there were more tenants than properties suggesting that the situation with regard to the balance of supply and demand has improved quite markedly since November 2005.

Geographic Region	Proportion Saying There Are More Tenants than Properties (%)			
	May 05	Aug 05	Nov 05	Feb 06
Prime Central London	27.1	33.0	32.4	48.2
South East	37.1	35.2	26.2	28.4
Rest of UK	43.8	34.5	25.3	29.3
All Regions	37.2	34.4	27.4	33.7
Base: All respondents	(489)	(436)	(463)	(443)

As the chart below shows, the proportion of respondents saying that there are more tenants than properties remains at an historically high level.

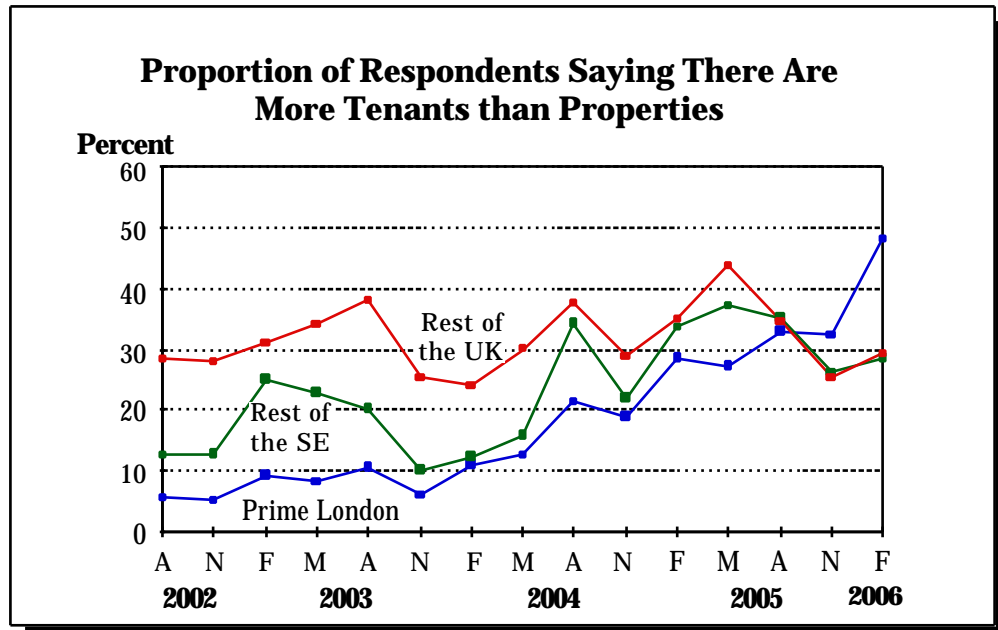


Looking at changes for each of the broad geographic areas over the last three and a half years, as can be seen from the chart below, the most dramatic turnaround has taken place in Prime Central London where the proportion of respondents saying that there are more tenants than there are properties available for them has risen nearly tenfold, from a low of 5% in the last quarter of 2002 to a high of 48% in the first quarter of 2006.

In the Rest of the South East, the figure has also risen but nowhere near as dramatically, growing nearly threefold from a low of 10% in the last quarter of 2003 to the present figure of 28%.

In the Rest of the UK, on the other hand, the figure has remained

relatively steady at between 30% and 40% although it has strayed outside this band from time to time.

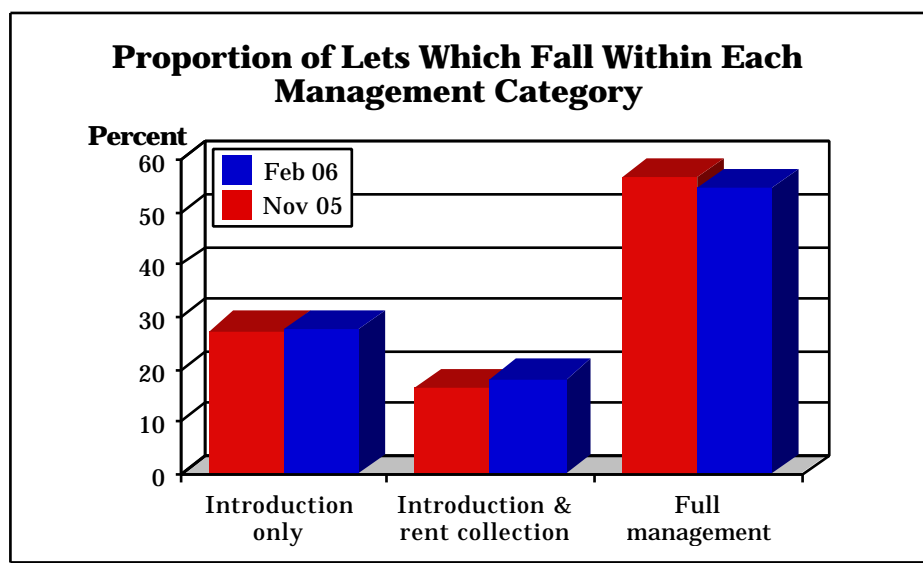


4.10 Proportion of Lets Within Each Management Category (Q.12)

On average, more than half of all properties let by ARLA members' offices (54%) are let on a full management basis. This compares with nearly three out of ten (28%) being on an introduction only basis and nearly two out of ten (18%) being on the basis of introduction and rent collection.

Management Category	Average Proportion of Lets (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Introduction Only	33.6	28.1	22.3	27.5
Intro. & Rent Collection	28.3	16.4	12.9	18.1
Full Management	38.1	55.6	64.7	54.4
Base: All respondents	(110)	(183)	(150)	(443)

Looking at differences between the three regional areas, offices managing properties in Prime Central London are much less likely than their counterparts in the rest of the country to be letting under full management (38% compared with 56% for the Rest of the South East and 65% for the Rest of the UK).



Compared with three months ago, there has been little change in the proportions of lets which are of each type although the proportion let on a full management basis is down from 57% to 54%, mainly in favour of the proportion let on an introduction & rent collection basis.

Management Category	Average Proportion of Lets (%)	
	Nov 05	Feb 06
Introduction Only	27.2	27.5
Introduction & Rent Collection	16.3	18.1
Full Management	56.5	54.4
Base: All respondents	(463)	(443)

4.11 Change in Achievable Rent Levels Over Last 6 Months (Q.13)

All Regions

In the case of each of the listed property types, between 30% and 40% believe that achievable rent levels have increased over the last six months whilst only between 8% and 14% believe they have fallen.

Response	Percent of Respondents (%)					
	Det House	Semi House	Terr House	Conv Flat	PB Flat	Studio Flat
Increased a lot	0.7	0.2	1.4	0.9	2.0	2.3
Increased a little	29.3	33.0	35.2	35.9	38.4	28.7
Stayed the same	45.1	48.3	49.9	49.0	45.6	49.0
Decreased a little	12.6	8.8	8.1	7.4	9.9	7.9
Decreased a lot	1.8	1.4	0.9	0.7	0.5	0.7
Don't know	10.4	8.4	4.5	6.1	3.6	11.5
Not stated	-	-	-	-	-	-

Base: All respondents (443)

These figures tend to suggest that, on average, achievable rent levels have increased significantly over the past six months.

Prime Central London

Within the overall figures, there is a much bigger spread between property types in Prime Central London with between 24% and 55% saying that achievable rent levels for each type of property have risen.

With regard to the proportions who think achievable rent levels in Prime Central London have decreased, the spread is similar to that for the whole country, albeit a little lower with between 3% and 11% saying they think this is the case.

Response	Percent of Respondents (%)					
	Det House	Semi House	Terr House	Conv Flat	PB Flat	Studio Flat
Increased a lot	1.8	0.9	0.9	2.7	2.7	3.6
Increased a little	21.8	24.5	30.9	52.7	46.4	34.5
Stayed the same	37.3	40.0	50.9	36.4	40.9	45.5
Decreased a little	8.2	9.1	5.5	1.8	4.5	2.7
Decreased a lot	1.8	1.8	0.9	0.9	0.9	0.9
Don't know	29.1	23.6	10.9	5.5	4.5	12.7
Not stated	-	-	-	-	-	-

Base: All respondents (110)

It would appear from these figures that, on average, achievable rent levels in Prime Central London have increased significantly over the past six months, particularly with regard to flats.

Rest of the South East

With regard to the Rest of the South East, the picture is a little less positive with between 27% and 33% of respondents saying that achievable rent levels have increased compared with between 9% and 19% saying they have decreased.

Response	Percent of Respondents (%)					
	Det House	Semi House	Terr House	Conv Flat	PB Flat	Studio Flat
Increased a lot	-	-	0.5	-	0.5	1.6
Increased a little	28.4	28.4	30.1	27.9	32.2	25.7
Stayed the same	47.0	57.4	56.3	57.4	55.2	52.5
Decreased a little	15.8	9.3	9.3	7.7	8.2	8.2
Decreased a lot	2.7	1.6	1.1	1.1	0.5	0.5
Don't know	6.0	3.3	2.7	6.0	3.3	11.5
Not stated	-	-	-	-	-	-

Base: All respondents (183)

Nevertheless, these figures tend to suggest that rent levels in the South East have increased somewhat in the last six months.

Rest of the UK

For the Rest of the UK, the position is very similar to that for the whole country with many more respondents saying that achievable rent levels have increased than say they have decreased.

Between 30% and 47% of offices say that achievable rent levels for each type of property have increased whilst only between 8% and 16% believe rent levels have decreased over the last six months.

Response	Percent of Respondents (%)					
	Det House	Semi House	Terr House	Conv Flat	PB Flat	Studio Flat
Increased a lot	0.7	-	2.7	0.7	3.3	2.0
Increased a little	36.0	44.7	44.7	33.3	40.0	28.0
Stayed the same	48.7	43.3	41.3	48.0	37.3	47.3
Decreased a little	12.0	8.0	8.7	11.3	16.0	11.3
Decreased a lot	0.7	0.7	0.7	-	-	0.7
Don't know	2.0	3.3	2.0	6.7	3.3	10.7
Not stated	-	-	-	-	-	-

Base: All respondents (150)

It appears from these figures that achievable rent levels in the Rest of the UK have increased significantly over the last six months.

Summary

The table and graph below show the proportion of respondents from each geographical area who said they believed achievable rents had increased for each type of property.

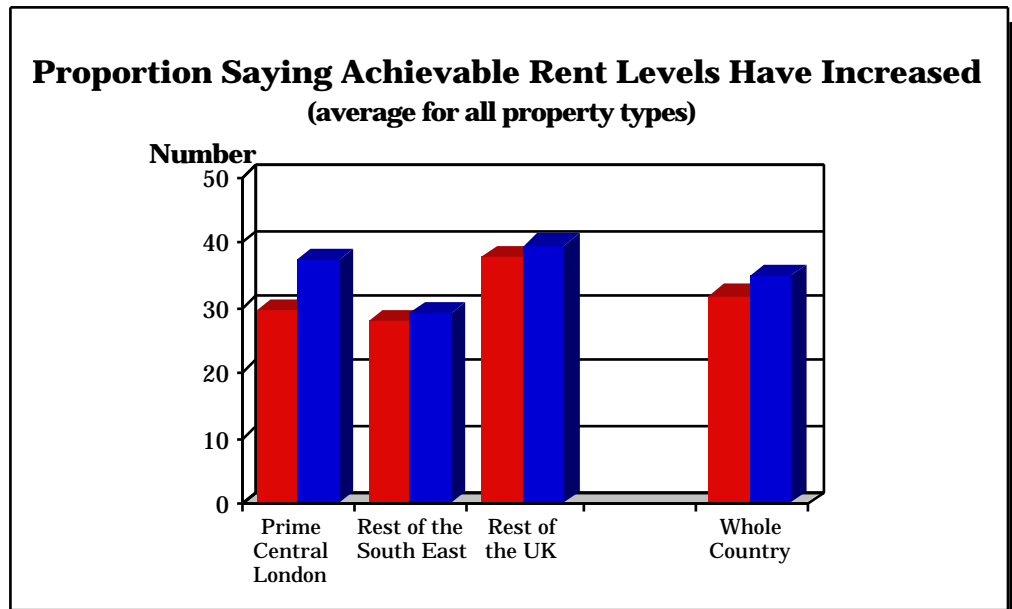
Geographic Region	Percent Saying Achievable Rents Have Increased (%)					
	Det House	Semi House	Terr House	Conv Flat	PB Flat	Studio Flat
Prime Central London	23.6	25.5	31.8	55.5	49.1	38.2
Rest of the South East	28.4	28.4	30.6	27.9	32.8	27.3
Rest of the UK	36.7	44.7	47.3	34.0	43.3	30.0
All regions	30.0	33.2	36.6	36.8	40.4	30.9

Base: All respondents (443)

Compared with three months ago, there has been an increase in the average proportion of respondents saying achievable rents across all property types have increased from 32% to 35%.

As between the geographic regions, the average proportion of respondents saying achievable rents across all property types have increased for Prime Central London is up quite sharply from 30% to 37%.

The remainder of the country has seen less of an improvement with the average for the Rest of the South East rising from 28% to 29% and that for the Rest of the UK from 38% to 39%.

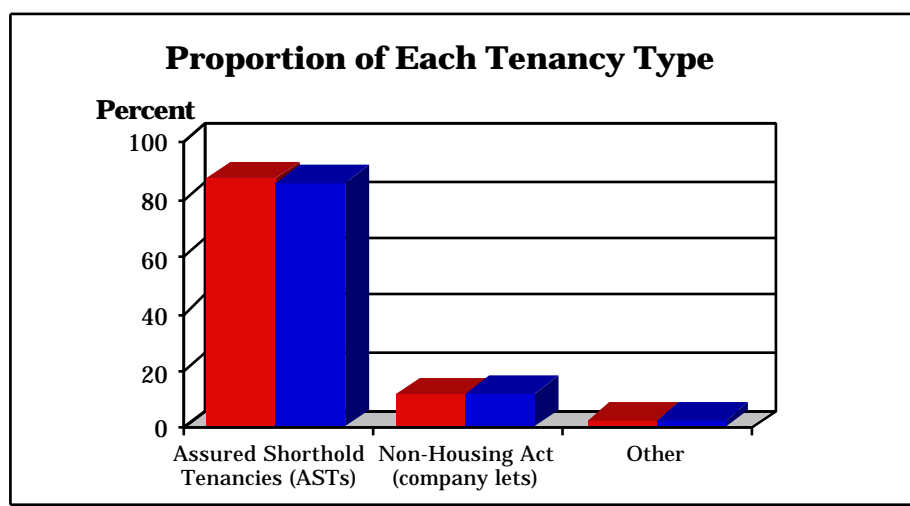


4.12 Type of Tenancy (Q.14)

By far the majority of tenancies (86%) are Assured Shorthold Tenancies (ASTs) with only a little over one in ten (12%) being non-Housing Act tenancies and a little more than one in forty (2.7%) being of other types.

Geographic Region	Proportion of Tenancies of Each Type (%)		
	Assured Shorthold Tenancies (ASTs)	Non-Housing Act (company lets)	Other
Prime Central London	70.5	25.4	4.1
South East	89.9	7.5	2.6
Rest of UK	90.9	7.2	1.8
All Regions	85.5	11.8	2.7

Base: All respondents (443)



As one might expect, Prime Central London differs from the rest of the country in that only slightly more than seven out of ten tenancies (71%) are ASTs with a quarter (25%) being non-Housing Act tenancies.

Compared with when this question was last asked a year ago, there has been very little change in the proportions of each tenancy type.

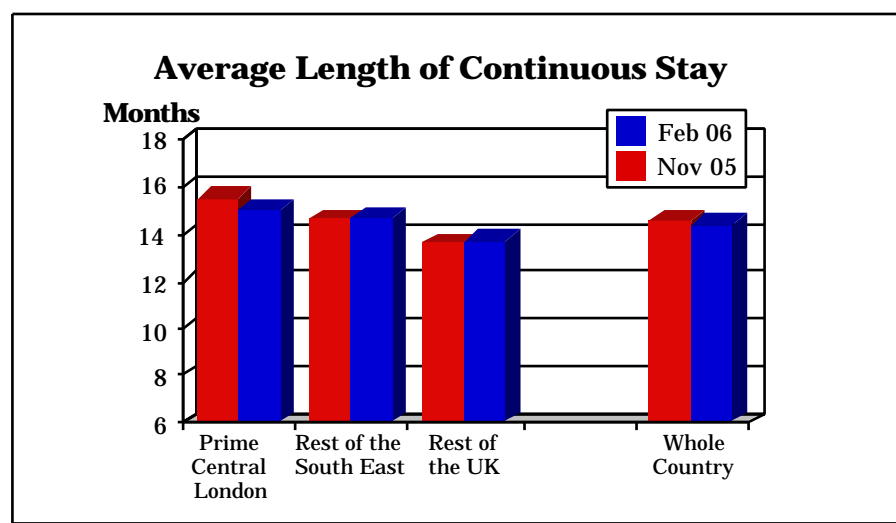
Tenancy Type	Average Proportion of Tenancies (%)	
	Nov 05	Feb 06
Assured shorthold tenancies	86.9	85.5
Non-Housing Act (company lets)	10.9	11.8
Other types of tenancy	2.2	2.7
Base: All respondents	(502)	(443)

4.13 Average Length of Continuous Stay in Property (Q.15)

More than nine out of ten tenants (92%) remain in the same property for between 10 and 18 months. Based on these figures, tenants tend to stay in the same property for an average of 14.4 months.

Average Length of Continuous Stay	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
6 to 9 months	1.8	5.5	2.7	3.6
10 to 12 months	19.1	20.8	43.3	28.0
13 to 18 months	74.5	67.2	52.0	63.9
19 to 24 months	4.5	4.9	1.3	3.6
More than 24 months	-	1.1	0.7	0.7
Don't know	-	0.5	-	0.2
Not stated	-	-	-	-
Base: All respondents	(110)	(183)	(150)	(443)

The average time a tenant stays in the same property is longest for Prime Central London at 15.0 months compared with 14.7 months for the Rest of the South East and 13.7 months for the Rest of the UK.



Compared with the last survey, there has been very little change in these figures.

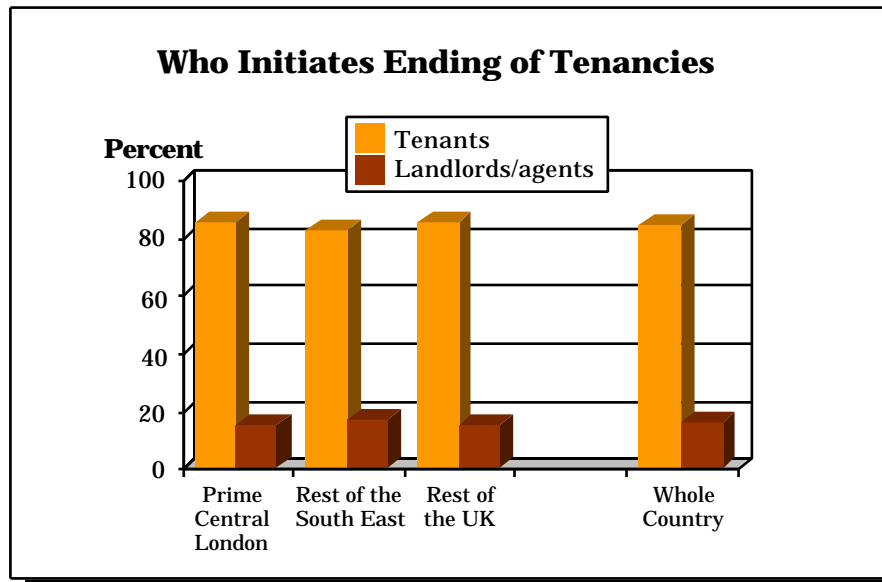
Geographic Region	Average Continuous Stay (months)			
	May 05	Aug 05	Nov 05	Feb 06
Prime Central London	15.8	14.5	15.5	15.0
South East	15.4	13.8	14.6	14.7
Rest of UK	13.9	12.8	13.6	13.7
All Regions	15.0	13.6	14.5	14.4
Base: All respondents	(489)	(436)	(463)	(443)

4.14 Who Initiates Ending of Tenancies (Q.16)

It would appear that in the vast majority of cases, it is the tenant who initiates the ending of a tenancy with, on average, respondents saying that almost seventeen out of twenty tenancies (84%) are ended by the tenant.

Initiator of End of Tenancy	Average Proportion of Tenancies (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Tenant	85.1	83.1	85.5	84.4
Landlord/agent	14.9	16.9	14.5	15.6
Base: All respondents	(110)	(183)	(150)	(443)

There is very little difference in the propensity for tenants to initiate the ending of a tenancy as between the three broad geographic regions.



Compared with three months ago, there has been little change in the responses to this question with the proportion of tenancies being ended by the tenant decreasing only slightly from 85% to 84%.

Initiator of End of Tenancy	Proportion of Tenancies (%)		
	Aug 05	Nov 05	Feb 06
Tenant	83.9	84.9	84.4
Landlord/agent	16.1	15.1	15.6
Base: All respondents	(436)	(463)	(443)

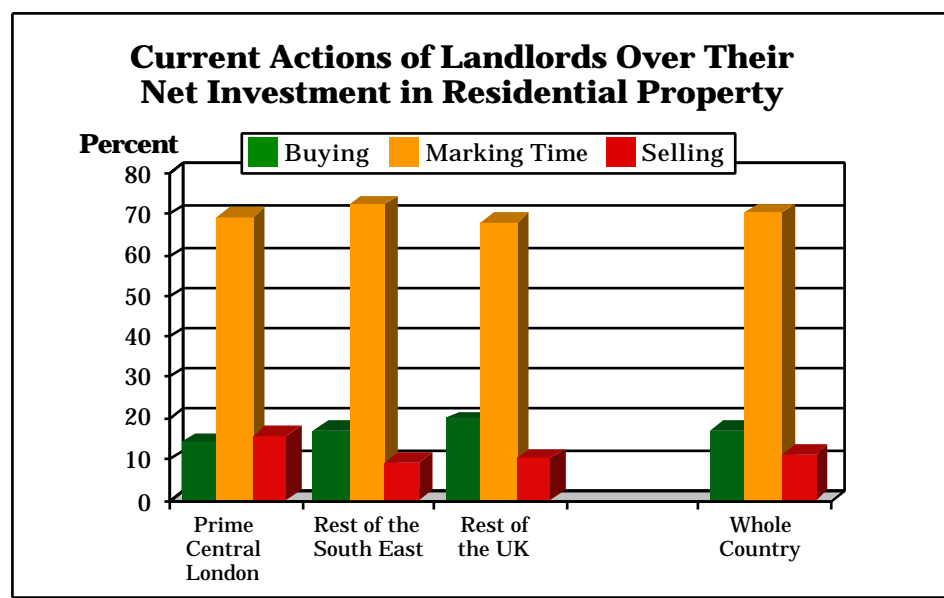
4.15 How Are Landlords Currently Acting Over Their NET Investment in Residential Property (Q.17)

Seven out of ten ARLA members' offices (70%) think that residential landlords are currently marking time with regard to their net investment in residential property.

Whilst more than one in ten respondents (11%) think landlords are decreasing their net investment by selling properties, considerably more (17%) think they are increasing their net investment by buying more properties.

How Landlords Are Currently Acting	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Buying	13.6	16.9	19.3	16.9
Marking time	69.1	72.1	68.0	70.0
Selling	15.5	9.3	10.0	11.1
Not stated	1.8	1.6	2.7	2.0
Base: All respondents	(110)	(183)	(150)	(443)

Geographically, respondents who manage properties in Prime Central London are least likely to think that landlords are buying property (14%) and those in the rest of the UK are most likely to believe this to be the case (19%) with respondents in the Rest of the South East in between the two (17%).

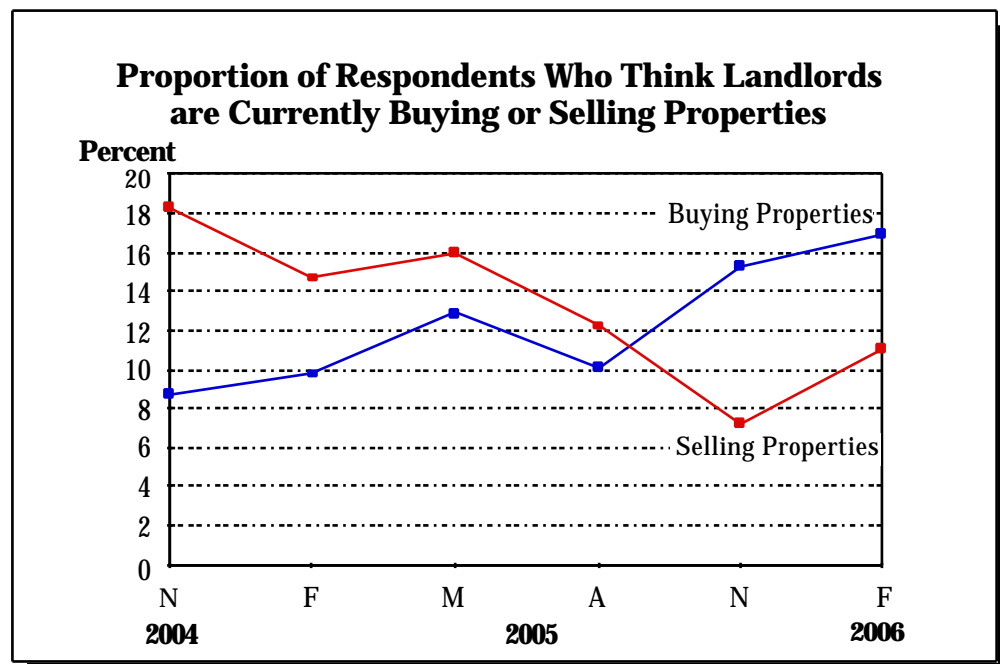


Compared with three months ago, there has been a further upturn in the proportion of respondents who think landlords are currently buying more properties (from 15% to 17%)

However, there has also been an increase in the proportion saying landlords are selling (up from 7% to 11%) with the proportion saying landlords are marking time falling from 76% to 70%.

How Currently Acting	Percent of Respondents (%)			
	May 05	Aug 05	Nov 05	Feb 06
Buying	12.9	10.1	15.3	16.9
Marking time	67.1	73.9	75.6	70.0
Selling	16.0	12.2	7.3	11.1
Not stated	4.1	3.9	1.7	2.0
Base: All respondents	(489)	(436)	(463)	(443)

As the graph below shows, during the autumn of last year, the relationship between the proportion believing that landlords are buying properties and the proportion believing they are selling properties reversed with those saying landlords are now buying exceeding those saying they are selling.



4.16 Basis of Answers to Questionnaire (Q.18)

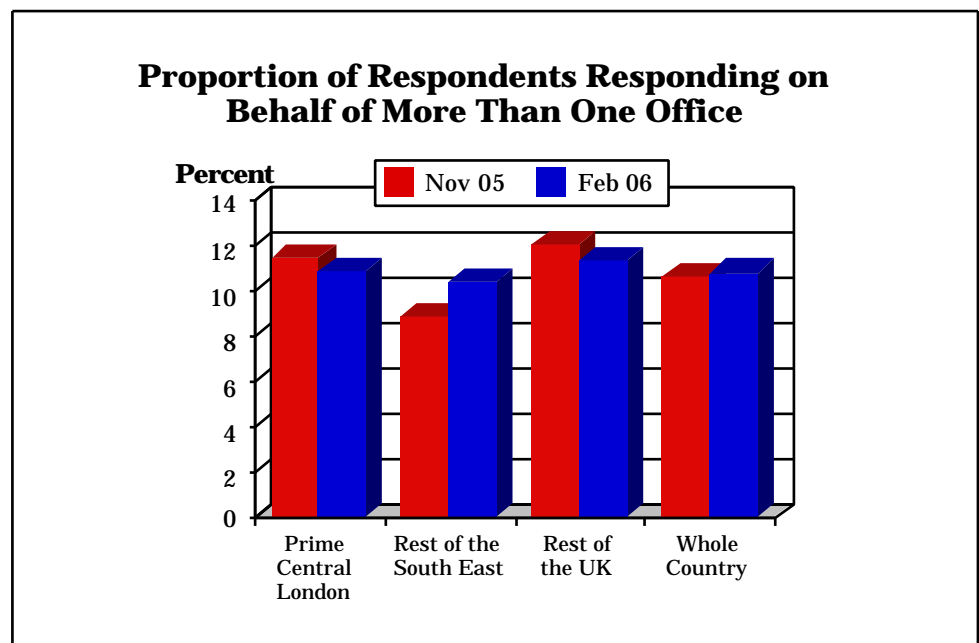
More than a third of respondents (34%) were answering the questionnaire on behalf of a single office firm but the highest proportion, more than half (55%), were doing so on behalf of a single office of a multi-office firm. Almost nine out of ten responses (89%), therefore, relate to the business of a single office.

For those 48 respondents who were responding on behalf of more than one office, 28 said they were answering on behalf of five offices or less and 5 said they were responding on behalf of more than five offices. However, 15 did not say how many offices were included in their response.

For those answering on behalf of more than one office (and who said on behalf of how many offices they were responding), the average number on which responses were based was 7 offices, up from 5 in November. However, one respondent said he was responding on behalf of 120 offices. If this response is excluded then the average comes down to 4 offices.

Basis of Responses	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Single office firm	31.8	36.6	32.7	34.1
Single office of multi-firm	57.3	53.0	56.0	55.1
A group of offices/a multi-office firm	10.9	10.4	11.3	10.8
Not stated	-	-	-	-
Base: All respondents	(110)	(183)	(150)	(443)

Respondents in the Rest of the South East are most likely to be answering on behalf of a single office firm whilst those in Prime Central London are least likely to be doing so.



Compared with November, there were very slightly more responses from people who were responding on behalf of more than one office (10.8% compared with 10.6%).

Geographic Region	Average Proportion Responding on Behalf of More Than One Office (%)			
	Nov 02	Feb 03	Nov 05	Feb 06
Prime Central London	12.0	12.0	11.4	10.9
South East	10.5	7.2	8.9	10.4
Rest of UK	12.1	9.9	12.0	11.3
All Regions	11.4	9.4	10.6	10.8
Base: All respondents	(535)	(519)	(463)	(443)

4.17 Number of Properties Let Under full Management (Q.19)

On average, each ARLA member's office has 201 properties let under full management making a total of 82,450 properties for all respondents.

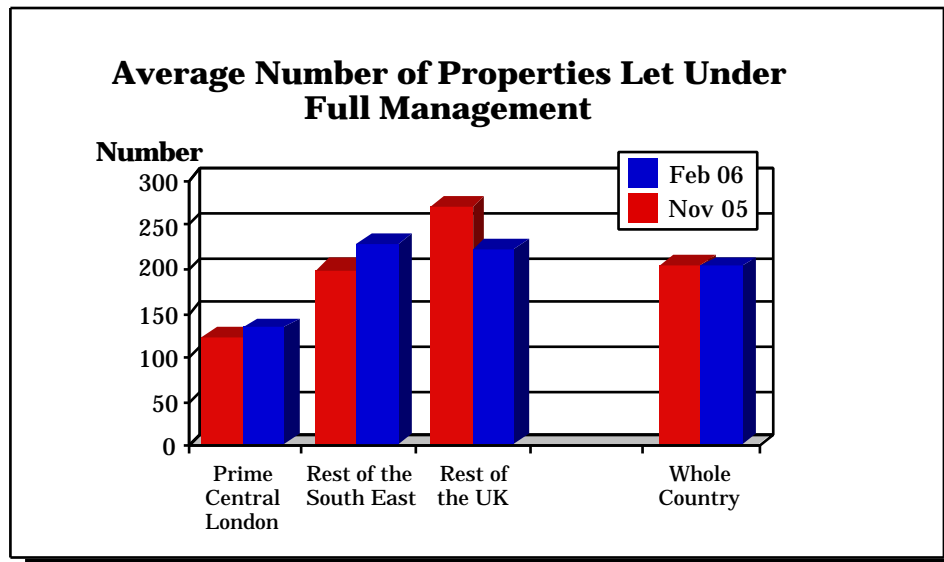
On the basis that 54.4% of all lets are let under full management (from Q.12) this suggests that overall, ARLA members offices have an average of around 370 properties in their portfolios. This figure is largely confirmed by the results from Q.4 and Q.5. That is:

51.6% of 370 = 191 investment properties
 54.4% of 191 = 104 investment properties managed

Geographic Region	Numbers of Properties	
	Averages	Totals
Prime Central London	132	13,431
South East	227	37,719
Rest of UK	220	31,300
All Regions	201	82,450

Base: All answering (419)

Offices letting properties in Prime Central London have the fewest properties let under full management at 132 compared with 227 for the Rest of the South East and 220 for the Rest of the UK.



Compared with three months ago, there are some quite marked differences. Whilst the average number of properties let under full management has increased by around 10% for both Prime Central London and the Rest of the South East, the average for the Rest of the UK has fallen by nearly 20%.

The result of these changes is that the overall average is little changed at 201 properties compared with 203 in November last year.

Geographic Region	Number of Properties Let Under Full Management			
	Average Number		Total Number	
	Nov 05	Feb 06	Nov 05	Feb 06
Prime Central London	121	132	12,304	13,431
South East	198	227	34,535	37,719
Rest of UK	268	220	38,266	31,300
All Regions	203	201	85,105	82,450
Base: All answering	(419)	(410)	(419)	(410)

Estimated Aggregate Total

On the assumption that this survey is representative of all 1,700 ARLA members' offices, these figures mean that, in total across the whole of the UK, ARLA members let approximately 341,700 properties under full management.